

SPURRING ECONOMIC DEVELOPMENT IN KENTUCKY'S COMMUNITIES

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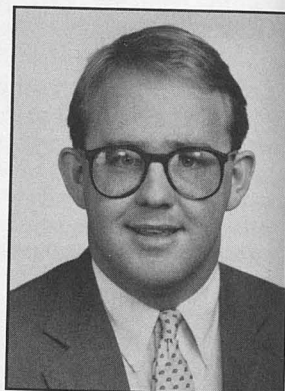
Economic development shares a lot in common with apple pie. Virtually everyone likes it and wants more. In fact, economic development could easily be added to the list of all-time American favorites that include baseball, hot dogs, and apple pie. However, like a really good apple pie, few know the ingredients of successful economic development today or how to blend them into the desired product.

In 1989, the Kentucky Chamber of Commerce assembled economic development experts from throughout the state to examine past recipes and create a new recipe for economic development success in communities throughout Kentucky. Their efforts culminated in the third white paper produced by Project 21, the Kentucky Chamber of Commerce's long-range plan for Kentucky.

Today, I would like to share with you the four steps that the white paper committee identified as essential for economic growth. These steps provide an outline of actions that communities can take to spur economic growth and thus, succeed in the twenty-first century.

The emphasis is on action at the community level. While the state must set the stage in many regards, the economic development story is played out in the local communities. Therefore, this research not only identified the broad issues that communities must address, but also offers suggestions on how communities can prepare.

A good quality of life for every Kentuckian is our ultimate goal. These four issues are simply steps toward achieving an important part of that goal. Collectively, they are a challenge to communities to take action, and to take action now.



CHALLENGE NO. 1: Ensure that the community is prepared for economic growth.

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Mr. Elliston graduated from Eastern Kentucky University with a BA in Political Science and Economics.

Community preparedness or strategic planning, as it is often called, is simply preparing the community for economic growth. It is an ability to assess the strengths and weaknesses of the community, to listen and respond to the needs of corporate and community members, and perhaps most importantly, to meet those needs. It is an ability to find new ways to increase economic activity.

While the concept is simple enough, the task is not, and therefore, many Kentucky communities are not prepared. This is true not only in small-town Kentucky but in rural areas across the country.

As an article in the Wall Street Journal concluded, "Small-town banks inexperienced in commercial and industrial lending may shy away from new enterprises that aren't involved in agriculture. Venture capital is scarce. Government small business programs are often a tangle of red tape. And the dependence of most rural regions on a single cyclical industry, such as lumbering or agriculture, can pull entrepreneurs under in the same boom-and-bust patterns."

Clearly, an emerging trend for which communities must prepare is a shrinking, qualified workforce. I visited recently with the CEO of a manufacturing company in Northern Kentucky. Officials of this very progressive, high-tech company were questioning whether they were going to continue supporting the activities of the local economic development organization. The reason was that with more development, the pool of qualified workers will shrink, leaving them with limited expansion decisions.

Something of specific interest, an adequate infrastructure, to this gathering must certainly be provided. An integrated transportation system, utilizing road, rail, and air, is crucial to ensure that markets expand and products get to markets.

Still, there are success stories. For example, in 1988, Owensboro and Daviess County recognized the value of existing industry and launched a program called the \$300-Per-Job Incentive Program. Existing businesses that create primary jobs that bring new revenue into the area are eligible for a bonus that the governments pay directly to the company.

I mentioned the need for adequate infrastructure earlier. Another portion of adequate infrastructure, waste management, leads me to our next challenge.

CHALLENGE NO. 2: Take a balanced approach to environmental issues.

Every Kentucky resident generates about one ton of solid waste every year. Efforts to cope with that fact generate a flurry of regulation, questions and concerns--a flurry that swirls around community leaders.

Often the flurry is intense, particularly in terms of environmental regulations. In the last decade, the number of regulations has skyrocketed and their scope has expanded. While the majority of these regulations are promulgated at the federal and state levels, the impact is felt at the community level.

Questions also are directed at community leaders. Concerns are left at the local courthouse door as well. In fact, in some communities, finger-

pointing on environmental problems has become a community sport, with community leaders unwittingly thrust into the role of the referee.

This flurry can blind leaders to the opportunities this issue presents. Although no community has all the answers, by even trying to find solutions, communities can become leaders in this area. Environmentally responsible and cost-effective waste management facilities and services are part of an increasingly important economic development factor called quality of life.

Strong leadership in this area translates into a higher quality of life for residents and becomes a magnet to attract and keep businesses. Here are some possible ways in which communities can tackle environmental issues and become leaders in this arena:

1. Make sure that community leaders are familiar with the expected impact of current and pending environmental regulations.
2. Decide what type of industrial growth the community wants.
3. Develop a holistic plan of how the community will provide current services and handle any anticipated growth.
4. Appoint specific leaders to help business executives resolve community environmental issues.
5. Start a volunteer recycling campaign.
6. Implement universal trash pick-up.
7. Conduct hazardous waste pick-up days.

CHALLENGE NO. 3: Embrace technology.

Many Kentuckians look at new technology the way adolescent boys and girls look at each other. First, there is a sudden realization that it exists. A period of infatuation follows during which it seems that this is THE answer. The terror strikes, uncertainty surfaces, and questions multiply. How do I approach it? What if I fail? Is this really necessary?

The answer to the last question is, "Yes." Invitations to the future have already been sent and technology has not only been invited, it is an honored guest. Kentuckians must begin now to get to know and welcome this permanent resident of our state and our world. We must embrace it as our passport to the ever-changing, technology-driven future.

Communities must help their businesses by providing access to new technology. The heydeys of "rhino chasing" (as former Mississippi Governor William Winter calls recruiting big, new industry) are over. Today, there are fewer big-game industries to hunt. Nationwide, some 20,000 local economic development agencies chased only 2,000 industry relocations each year. The odds of bagging a big one are very low indeed.

In Project 21's first two white papers, we stressed the opportunities that telecommunications and other new technologies present. We cannot underscore this enough. These information industries provide diversification. They don't require large capital investments in infrastructure. They bring work historically done in major metropolitan areas to smaller, more rural communities.

In short, telecommunications and other information industries put rural communities on equal footing with their urban counterparts and are just the leg up many communities wished for years ago when it seemed that urban areas had been dealt the best economic development cards.

However, communities must take action now. Between 1977 and 1983, Kentucky lost 13 per cent of its high-technology jobs at the same time that the United States was gaining substantial high-tech employment, according to a recent report by the Kentucky Science and Technology Council.

Here are some ways that communities can encourage high-technology development:

1. Ensure that community leaders understand the tremendous economic transitions that are now underway.
2. Develop a plan to encourage technological growth and understanding.
3. Identify the local telephone company contacts, the inter-exchange (long-distance service) company.
4. Utilize technology transfer programs such as the one currently being developed through the Kentucky Science and Technology Council, which was funded by 1990-92 appropriations.

CHALLENGE 4: Build on community strengths

Economic development expert Jerry Wade coined it "rusty bucket" economics, and he contends that his rusty bucket contains ideas that will not only increase the number of jobs in a community, but will enhance economic vitality as well.

When Wade reaches into his rusty bucket, he pulls out three ideas that communities can use to stretch their economic development muscles:

Idea No. 1: Plug any leaks in the bucket. Look at what goods and services are imported and see if those same goods and services can be provided locally.

Idea No. 2: Add economic value to things already produced in the community. Find ways to make them worth more before they leave as exports.

Idea No. 3: Increase the use of local wealth and talent.

Identify existing resources that are either unused or underused and use them to increase economic efficiency.

The emphasis is on building for the future from a community's capacity rather than solving problems, which connect it to the past, Wade says. Look at the local economy, see what can be done to get more out of the wealth already there. The emphasis is on communities making their own decision and on local wealth and talent working together to bring new life to the community and the American economy.

Some Kentucky communities have already done this. When Hazard looked into its rusty bucket, it pulled out BITAC, the Business and Industry Technical Assistance Center. BITAC was originally created to

provide entrepreneurial training for displaced coal miners through the Job Training Partnership Act. However, the program's success spurred requests for individual counseling and training for individuals wanting to start their own business for years.

Today, BITAC is located at Hazard Community College and teaches all clients the nuts and bolts of operating a business. The results are impressive. More than 75 per cent of the program participants have successfully started their own businesses, with no failures to date. In addition, the U.S. Department of Commerce named BITAC as one of 20 model programs for rural economic development in the nation. This type of teamwork, once a luxury, is now a necessity.

Here are some additional ways that communities can help spur the development of new jobs:

1. Make sure of the Small Business Development Centers across the state.
2. Organize a data bank of management assistance programs available in the community.
3. Look into tourism opportunities.
4. Establish an existing industry program.
5. Get business leaders involved in the community.
6. Form a community leadership program.

IN SUMMARY

Community initiative is essential for economic growth, but by urging community leaders to accept a leading role and work with others in their region of the state, we do not mean to imply that communities must play every role. The state has a vital part in our state's economic development. Regional cooperation is also more important than ever.

Partnership is a key word. Local communities must be a full partner in the drive for economic well-being, merging their efforts with surrounding communities, businesses, and state government. Each must sow and nurture the seeds of economic growth.

The boundaries of this field of economic development have changed dramatically. Yesterday, we focused on the surrounding states. Today, our efforts have expanded throughout the United States. The task before us: ensure we are prepared for tomorrow. Because the shape of economic growth of tomorrow is global. The boundaries now exceed this continent and this hemisphere. The greatest challenge we have as a state is to foresee these emerging opportunities and capitalize on them.